

199907026

Index No. 00460.00-00

CC:DOM:IT&A:9-PLR-118027-98

Attention:

NOV 19 1998

EIN:

X =

Y =

Dear

This is in reference to a request filed on behalf of X (the partnership) requesting permission to revoke its election under § 460(b)(3)(A) of the Internal Revenue Code for determining the percentage of completion with respect to its manufacturing contracts, for the taxable year beginning January 1, 1997 (year of change).

The partnership is engaged in the business of contracting with the U.S. Government for a project involving Y. The information furnished indicates that the partnership files its return on a calendar year basis and employs an accrual method of accounting.

The partnership represents that its manufacturing contracts are long-term contracts as defined under § 460(f)(2). The partnership reports income and expenses from its manufacturing contracts on the percentage of completion method as required by § 460(a) and as modified by subsection § 460(b). It is stated that, the partnership elected under § 460(b)(3)(A), the simplified cost-to-cost method for determining the percentage of completion for a particular contract as of the end of the taxable year. If consent is granted to revoke the election, the partnership will use the method of comparing the costs incurred with respect to such contract with the estimated total contract costs as provided in § 460(b)(1)(A).

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Based on the facts presented and the representations made, permission is hereby granted the partnership to revoke its election under 460(b)(3)(A) effective January 1, 1997. Any contracts entered into on or after January 1, 1997 will be accounted for under the cost to cost method in accordance with § 460(a), with cost determined under § 460(b)(1)(A).

This ruling should not be construed as a ruling that the partnership's method of determining income from its long-term contracts is in conformity with the provisions of § 460(a) as this is within the jurisdiction of the district director's office.

A copy of this letter ruling should be attached to the partnership's income tax return for 1997.

No opinion is expressed concerning any other provisions of the Code or regulations that apply to the partnership.

This ruling is directed only to the partnership who requested it. Section 6110(j)(3) provides that it may not be used or cited as precedent.

Sincerely yours,

Assistant Chief Counsel
(Income Tax & Accounting)

By J. Charles Strickland
J. Charles Strickland
Chief, Branch 9

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